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ABSTRACT

The importance of labor force statistics compiled monthly by the Bureau of the Census and Bureau of Labor Statistics cannot be overstressed because of their influence on economic and social policies in the United States. The household surveys provide a variety of information about the personal characteristics of the unemployed and the duration of joblessness. In May 1969, there were 79,621,000 persons in the labor force and the unemployment rate was 3.2 percent. Adult men recorded the lowest unemployment with 2.0 percent, while young workers 16-19 had the highest with 10.8 percent. In 1968 unemployment was unevenly distributed with the North Central Area having a rate of 3.0 percent and the West a rate of 4.9 percent. The composition of the labor force has changed drastically in the last few years. In March 1967, there were 30 million secondary wage earners who supplemented incomes of primary family wage earners. In addition there has been a long term trend toward employment stability and expansion in services and government. These factors, along with the wide acceptance of unemployment insurance and supplemental unemployment benefits, have created more stability in the labor force. (BC)

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SPECIAL
ANALYSIS

UNEMPLOYMENT
PAST, PRESENT, AND FUTURE

EWAN CLAGUE

AMERICAN ENTERPRISE INSTITUTE
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INTRODUCTION

Every month, on some day in the second week, the Bureau of Labor Statistics of the Department of Labor issues the key labor force statistics for the preceding month. Here are the highlights of the April 1969 figures:

Civilian labor force	79,621,000
Employed	77,079,000
Unemployed	2,542,000
Unemployment rate	3.2%
Seasonally adjusted	3.6%

The impact of these simple figures on U.S. economic and social policies is great. Probably no other single statistic carries such massive weight in decision making as the seasonally adjusted unemployment rate. It can affect the outcome of federal and local elections and far-reaching legislation can turn on its behavior.

Yet the vast majority of the American people have little understanding of these figures. This lack of knowledge is not due to any reticence or obscurantism on the part of the agencies producing the statistics--the Bureau of Labor Statistics and the Bureau of the Census. At the time of the release of the monthly figures, the commissioner of labor statistics or one of his assistant commissioners holds a press conference at which newsmen can ask questions concerning the data and their meaning. A written press release incorporating half a dozen basic tables is made available at the time of the press conference. Some weeks later, the Monthly Report on the Labor Force provides over 25 pages of tables on employment and unemployment, as disclosed in the household survey. From time to time the Bureau of Labor Statistics issues research reports on special subjects, such as educational attainment of workers, multiple job holders, marital and family characteristics of workers, etc. There is also an explanatory bulletin, "How the Government Measures Unemployment." In brief, there is a wealth of information available on the data themselves and on how they are obtained. Why then such widespread lack of knowledge?

To this question there are several answers. The most obvious is that the massive volume of data is in itself a limitation. Where there is so much to know, it is difficult even for the informed journalist to be intelligently selective. Second, the monthly publication inevitably highlights the current situation, with emphasis on changes since last month or since the same month last year. The American economy contains some highly seasonal segments which may produce changes in the opposite direction in the very next month, thereby confusing the layman. Third, the special analytical reports receive little or no publicity, although they contain the research material that adds the third dimension to the labor force data. These special reports are used mainly by university

professors, business analysts, and students engaged in the study of long-range economic problems.

The gap in general understanding of the unemployment problem lies in the intermediate area between the monthly highlights on the one hand and long-range analysis on the other. There is need for occasional, and perhaps periodic, analysis and interpretation of unemployment trends in order to put the problem in the perspective of the business cycle. Stated simply, how does the unemployment situation in the spring of 1969 differ from that in the spring of 1961? Of course, the figures are different: the unemployment rate is now 3.5 percent instead of 7 percent. But is that all? Have the economic changes of the 1960s altered the nature of the unemployment problem? Or is it a case of, as the French say, "the more things change, the more they remain the same"? It is to the consideration of this aspect of the unemployment problem that this study is directed.

Section I. WHERE DO THE FIGURES COME FROM?

At the outset it is necessary to present a brief sketch of the methods by which the statistics are obtained. These methods have been fully and carefully described in Bureau of Labor Statistics publications, which are readily obtainable by anyone interested. All that can be done here is to describe in laymen's language the main outlines of the system.

Where do the figures come from? From the people themselves, in answers to questions posed by field staff agents of the Bureau of the Census. In the partnership arrangement set up for this program, the bureau collects the information through its field staff, runs the basic tables through its computers, and turns the data over to the Bureau of Labor Statistics for analysis, interpretation, and publication. This joint operation was worked out in 1959 and it has operated efficiently ever since.

The household survey of the BLS-Census should not be confused with public opinion polls. Of course, there are basic similarities. In both, a random sample of the population is selected by some statistically sound method, questions are asked of the individuals selected, the answers are analyzed, the data are "blown up" (that is, multiplied) to represent the U.S. as a whole, and the results interpreted and issued to the public. However, there are some significant differences which must be kept in mind in evaluating unemployment statistics. An opinion poll, as its name indicates, is a poll of people's opinions--on that subject, of this person, etc. Frequently, such polls are pointed to the future, for example, whom will you vote for in the coming election, or what do you think should be done about Vietnam?

The household survey concentrates on the past--what did you do last week? Throughout the interview the emphasis is upon facts, upon

activities or happenings which have already taken place. This contrast does not imply that opinion polls are inaccurate. In fact, it is possible that some people will be more accurate about how they will vote next week than about what they did last week. However, the unemployment figures are not subject to the kind of rapid change in voter sentiment which apparently took place in the month preceding the 1968 election. Still another difference is that most opinion polls ask only a few questions and use very small samples, say, 2,000 to 4,000 interviews. Such a procedure can result in wide margins of error. The household survey, on the other hand, asks a good many questions and seeks data not only on the total labor force but also on its component parts, i.e., small groups such as workers 65 years and over or Negro girls 16-19 years of age. In order to be reasonably accurate, this requires a much larger sample of over 50,000 households every month.

In the household survey the field agent goes to the county, the community, the district and the block (or rural area) which have been preselected. He has a fixed formula for picking a particular house or apartment in that block and he then interviews the people he finds there. Paraphrased simply, he explores the question, what were the individuals in this household doing last week, i.e., were they working, looking for work, keeping house, attending school, ill, on vacation, etc.?

The employment question comes first: Did anyone work last week? Yes, the husband of the family. Then follows a series of questions on the industry and the place where he worked. A man (or woman) on vacation is considered as employed; so is a man on strike (he has not broken his connection with his employer). In a vacation month such as July, the statistics will show as many as 7,000,000 workers on vacation and counted as employed (i.e., with a job, but not at work).

Did anyone here look for work last week (or in the preceding three weeks)? Yes, the 18-year-old son in the family. That answer leads to a series of additional questions: What did you do to look for work? Have you ever worked before? How long have you been looking?

The other members of the household--a teenage daughter who was in school last week and the mother who was keeping house--complete the family picture: two in the labor force, one employed, one unemployed, and two not in the labor force. This information for about 50,000 households provides the monthly statistics of labor force, employment, and unemployment.

How good are the answers? Can they be relied upon? Broadly speaking, yes. There are internal checks which would disclose discrepancies in replies. Furthermore, each household remains in the sample for four successive months, unless the family moves away and cannot be located. Then a year later, the family is visited again and is interviewed for four more months. Thus, the field agent learns a good deal about the labor force activities of the members of the household.

Finally, there is no incentive for people to give wrong answers deliberately. The agent neither awards benefits nor dishes out punishments. He tries to assure the members of the family that their answers will be held in complete confidence.

Of course, there are problems. Employment is a more tangible condition than unemployment. A worker with a job is on a payroll, drawing pay, going to work every day. The unemployed worker is less sure of himself and of his answers. For example, take the case of the "discouraged unemployed," a group that is occasionally cited as evidence that the unemployment figures are too low. Here is a man in his late forties, apparently able-bodied and healthy, who did not work last week or even look for work. He must be classified as out of the labor force. If questioned further, he discloses that he is not looking for a job because he thinks none is available in his line of work and that looking would be useless.

When the President's Committee to Appraise Employment and Unemployment Statistics reported in 1962, it recommended deeper probing into this and other such unemployment problems. As a result, under the major revision of the household survey completed in 1967, the survey contains questions designed to develop additional information on the men and women who are classified as out of the labor force. They are asked such questions as whether they have ever worked. If so, why did they leave the job? How long ago? Do they intend to enter the labor force within the next year? These new questions establish more firmly the facts on who is really unemployed and who is not in the labor force at all.

Then there is the other side of the case. Is the unemployed worker actively interested in getting a job? What concrete steps did he take last week to find one? Is he on the active register at the employment office? What firms did he call on to apply for a job? What want-ads did he answer?

Of course, a person can go through all the motions of job-hunting without ever intending to take a job. At times in the past, some state unemployment insurance offices have put on job drives by sending unemployed workers to specific firms and threatening to cut off benefits if they did not actually apply for a job. The workers applied all right, but the malingerers among them succeeded in escaping any job offers. There are undoubtedly some unemployed whose work interest is marginal and whose unemployment is not a matter of any great moment to them or to anyone else. There is no way to estimate the number of such persons--men, women, or youth--but it is probably not very large. A person claiming to be unemployed in one month might very well put himself out of the labor force by his answers the next month.

A more serious question involves a worker's right to refuse an available job because he thinks the grade and pay are too low. For

example, an unemployed carpenter is offered a laborer's job for which, let us say, he is well qualified. Under the unemployment insurance laws and regulations, he may refuse the job and still continue to draw unemployment benefits. The principle involved is that a worker is entitled to a reasonable opportunity to find a job in his own line of work and at his previous skill level. Of course, he may elect to take a lower job, in which case his benefits will stop; or, when his benefits are exhausted (usually after 26 weeks), need may impel him to take any job he can get.

Not all the problem cases are as clear as this. A worker living in one section of the city is offered a job in another section, or in a town 25 miles away. Would his refusal to take such a job be justified from the viewpoint of unemployment benefits? The answer is that cases like this one are decided on an individual basis--sometimes yes, sometimes no. If no, the individual is denied benefits. Yet in the household survey, he would most likely declare himself unemployed. So the survey would classify among the unemployed some workers who ought to be classified as out of the labor force (temporarily). But the number of such cases is comparatively small. In recent years the insured unemployed have amounted to less than 40 percent of total unemployment, and in 1967 the number of disqualifications for job refusals under unemployment insurance constituted only about 1.5 percent of the insured unemployed. Such workers would amount to less than half of 1 percent of total unemployment, or about 25,000 workers out of total unemployment of 3,000,000.

A much larger problem arises from the ill, the disabled, and the handicapped. If such workers are obviously unable to hold a job they are classified as out of the labor force. A person confined to his bed is a clear case. But perhaps the worker has a heart problem that would disqualify him for most jobs, but would still permit him to hold a limited variety of (perhaps) part-time jobs. Special surveys have shown that, in the great majority of cases, such persons state that they have not been looking for work recently, and therefore they would be classified as out of the labor force--and appropriately so. However, if they are not eligible for public assistance and have no other resources, they are fairly certain to be job-hunting to the best of their ability.

In summary, it is my judgment that the employment and unemployment data obtained by the household survey portray quite accurately the numbers and characteristics of the persons in the labor force. The accuracy is sufficient to warrant using the statistics as one benchmark in setting economic and social policies.

Section II. WHO ARE THE UNEMPLOYED?

The simplest and most obvious classification of people in the labor force, as in the population, is by sex. This is not only a natural classification but also a meaningful one from a labor market point of view. About 95 percent of American men who are in the prime of life are participants in the labor force (that is, they work for pay or profit), whereas women in similar age groups have a participation rate of less than 50 percent. The heads of households represented in the labor force are largely men; the majority of women divide their time between homemaking and work outside the home. There are industries and occupations dominated by men and other industries and occupations mostly served by women. Of course, a great deal of overlapping exists on all these counts. Many women are heads of households, year-round workers, major income producers in the family. But, nevertheless, the basic classification makes sense.

The second important classification is by age, and the primary age breakdown is between young workers entering the labor force and mature workers who have acquired sufficient work experience to have an established occupation. In Great Britain the prevailing entry age is 15, and a worker is considered an adult at age 18. The corresponding ages in the U.S., today, are 16 and 20. Up until two years ago, the U.S. youth classification in labor force statistics covered ages 14 through 19, even though work permits are required in many industries and occupations for youngsters under 16, and some legislation governs the employment of the 16 to 18 group. In 1967, the Bureau of Labor Statistics dropped the 14-15 age group from the official labor force figures. This change makes sense because young people continue in school longer in the U.S. than in any other industrial nation. Even most American 18 and 19 year olds are still in school. However, the Bureau continues to collect information on the 14 and 15 year olds and, in addition, it has developed special tabulations for the 16 to 21 age group, which carries the young people through college.

Here then is the general outline of the civilian labor force and unemployment in April 1969, based on original figures without seasonal adjustment. (The armed forces, numbering about 3.5 million, are counted as part of the nation's total labor force, but they are not included in the analysis and interpretation of employment and unemployment.)1/

1/ Employment and Earnings and Monthly Report on the Labor Force, Bureau of Labor Statistics, May 1969.

	Civilian Labor Force	Unemployed	Unemployment rate
Total	79,621,000	2,542,000	3.2%
Adult men	46,048,000	902,000	2.0
Adult women	27,338,000	966,000	3.5
Young workers (16-19 years)	6,235,000	674,000	10.8

First, adult men dominate the labor force, comprising almost 60 percent of the 79.6 million, but in April they contributed only 35 percent of the unemployment and had an unemployment rate of only 2.0 percent.

Second, women comprise approximately one-third of the labor force, somewhat more than half the number of men. Yet in April, they contributed more of the total unemployed than men and their unemployment rate was 3.5 percent.

Finally, young workers constitute only a minor fraction of the labor force, about one worker in 13. Yet they contributed one-fourth of the unemployed in April and had an unemployment rate of 10.8 percent. Furthermore, when their prevailing part-time participation is taken into account, their numerical importance is still further diminished. In working time they probably contribute no more than 5 or 6 percent of total employment in the economy, as of mid-winter. However, these numbers do not fully measure the critical importance of young workers in the economy. First, they participate to a much greater extent in summer work during school vacation and, second, as potential workers for the next half century, they are individually more important than many elderly men and women workers who will soon be retiring.

More detailed analyses of these three major groups will be made in subsequent sections of this report.

A third major labor force classification is by color. Nonwhites have higher rates of unemployment than the whites, but they constitute only about one-tenth of the labor force.

If there were no discrimination in the United States, and if the various races of nonwhites had approximately the same labor force experience as the rest of the population, this classification would be of minor

importance. But the persistently different work experience of nonwhites, most especially with respect to unemployment, requires that the distinction between whites and nonwhites be highlighted in the statistics. On this basis, the April 1969 labor force was divided as follows:1/

	Civilian labor force	Unemployed	Unemployment rate
Men - white	41,518,000	743,000	1.8%
nonwhite	4,532,000	159,000	3.5
Women - white	23,765,000	728,000	3.1
nonwhite	3,571,000	238,000	6.7
Young workers (16-19)			
white	5,565,000	536,000	9.6
nonwhite	670,000	138,000	20.6
Total - white	70,848,000	2,007,000	2.8
nonwhite	8,773,000	535,000	6.1

About 90 percent of the nonwhites are American Negroes, so the statistics can be assumed to represent fairly well the position of Negroes in the labor market.

Two points stand out sharply. One is that unemployment rates for nonwhites are about twice as high as those for whites--both the general rate and the rates for adult men, adult women, and young workers. Unemployment among nonwhite teenagers is discouragingly high. The second point is that, in terms of absolute numbers, the problem is not large. For example, in April 1969, there were 159,000 unemployed nonwhite adult males and they constituted only one in about 300 of the adult male labor force of over 46 million workers--actually about one-third of 1 percent.

A more detailed analysis of the unemployment problems of the three Negro groups will be presented in subsequent sections.

A final classification of the labor force is by time worked. In midwinter, part-time workers amount to about one-seventh of the civilian labor force, but they make up over one-fifth of the unemployed.

A full-time worker is one who puts in at least 35 hours a week on a regularly scheduled job. He may have missed a day or more because of illness or unemployment, but if his job is scheduled for 35

1/ Ibid.

hours or more, he is classified as a full-time worker. Conversely, a part-timer is one who holds a job (or jobs) scheduled for less than 35 hours.

In April 1969, this was the picture for full and part-time workers (figures rounded): 1/

	Civilian labor force	Unemployed	Unemployment rate
Full-time	67,900,000	2,000,000	2.9%
Part-time	11,700,000	550,000	4.9
Total	79,600,000	2,550,000	3.2

The part-timers tend to inflate the unemployment figures to some extent because, while they amount to over one-fifth of the total unemployed, they are not seeking an equivalent amount of work. For example, let us assume that part-timers, whether at work or unemployed, represent about half-time work. Then a recalculation of the April unemployment rate (see above) to represent a full-time equivalent basis would yield a figure of 3.0 percent instead of 3.2 percent.

However, there is an offsetting deflation of true unemployment in the 3.2 percent figure, because of another factor. A worker (whether full or part-time) who worked at all during the week is classified as employed, even though he was unemployed for part of the week. In April 1969, for example, there were 1.7 million full-timers who did not work full-time for economic reasons (unemployment). In periods of business recession, this factor increases in importance, and it has given rise to a demand for an unemployment rate which accounts for the lost time of those who are partially unemployed. The BLS developed such a figure by adding up these lost or unemployed hours and converting them into full-time equivalents. The resulting figure was termed "Total Working Time Lost." For April 1969, that figure showed an unemployment rate of 3.3 percent.

So, at the present time, two offsetting forces approximately balance each other, and the basic unadjusted figures are just about right as a measure of the unemployment situation. However, in a recession, working time lost becomes substantial and sometimes the unemployment rate adjusted for this factor has exceeded the regular rate by more than one percentage point.

1/ Ibid.

Section III. THE MOVING PICTURE

The labor force is in a continuing state of flux. Every day some workers are leaving their jobs and others are being hired. Young workers are entering the labor force and older workers are retiring. Some workers want a permanent job, others a temporary one. The volume of unemployment is like a pool into which workers are constantly falling (or jumping) on the one hand or climbing out on the other. The monthly statistics of employment and unemployment are like a photograph--a still picture at a given moment of time. But the true story comes out only when these stills are converted into a moving picture that reveals the patterns of change. The unemployed are not a fixed body of the same unfortunate workers.

1. Duration--How long have the unemployed been out of work?

Some of the unemployed find jobs so quickly that they do not serve out the one-week waiting period required to receive unemployment insurance benefits. Others are not so fortunate and may be out of work for months. Duration must be taken into account in evaluating the severity of unemployment at any particular time.

In recent years of high employment, about one-half (or more) of the workers who are unemployed in any one week have been out of work for less than five weeks, or a maximum of about a month. In April 1969, almost 1.4 million out of 2.5 million unemployed had been out of work about one month or less.

The "hard-core" unemployed are often defined as those who have been out of work for 15 weeks or more (which is more than one full quarter). In April 1969, this category totaled about 500,000 workers or about one in five of the unemployed. Unemployment insurance benefits are generally available for 26 weeks to those workers covered by the system. In April there were 160,000 workers who had been unemployed for more than 26 weeks. Those workers would have exhausted their benefits if they had any--and, of course, some of them would not have been insured at all.

2. Year-long Experience--How does that alter the unemployment problem?

Another dramatic picture of the fluidity and volatility of the labor force can be drawn from data covering a full year's work experience. Periodically, the Bureau of Labor Statistics makes a special study of the year-long experience of the labor force. The most recent survey covers the year 1967. In that year the civilian labor force averaged 77.3 million workers and total employment averaged 74.4 million (based on 12 monthly figures). How many different persons contributed their bit to that labor force at some time during the year?

Here are the figures: 1/

		(millions)
Total employed or unemployed at any time		89.4
Worked 50 weeks or more		
Full-time	51.7	
Part-time	5.6	57.3
Worked less than 50 weeks		
Full-time	20.2	
Part-time	10.6	
Looked, but found no work	1.3	32.1

In this tabulation, 50 weeks is considered a full year, even though some workers with 50 weeks of employment may have experienced one or two weeks of unemployment during the calendar year. Full-time means 35 or more hours per week. Nearly 60 percent of the annual total of workers were in this solid and substantial labor force group. Adding in the steady part-time workers brings the proportion up to nearly two-thirds (65 percent).

Aside from these year-round employed workers, over 32 million others participated in the labor force at some time during 1967, including those who never found a job at all. This figure includes seasonal workers, especially women and young people, who work only temporarily, as well as new entrants to the labor force during the year and retirees who leave the labor force. And, of course, it also includes the unemployed who were active in the labor force all year but who did not have steady work. Of the 32 million total, over 20 million found jobs and left them without experiencing any unemployment. An example would be students who immediately take jobs when they leave school in early June and who then quit to return to school in September (no unemployment). There remained 11.9 million workers who were unemployed at some time during the year.

Furthermore, excluding those who did not find a job at all (for example, a student who did not find a summer job), and excluding also the 50-week group who had only one or two weeks of unemployment, there remained 8.9 million part-year workers (less than 50 weeks) who experienced some unemployment. Among them, 3.4 million had unemployment of less than five weeks and 2.3 million had unemployment of 15 weeks or more. Note that 2.3 million is the total number of different unemployed during the year 1967 who would qualify as "hard-core" unemployed.

1/ Special Labor Force Report (advance release), "Work Experience of the Population in 1967," Bureau of Labor Statistics, Department of Labor.

It should also be noted that those who were unemployed for more than 26 weeks numbered only 800,000.

But who were these unemployed? From what groups in the labor force did they come? In the first place, the steady year-round workers were predominantly males. Over 80 percent of the men in the labor force and over 90 percent of married men worked 50 weeks or more. And these percentages would be even higher if the figures did not include young men 16-19 years old, of whom more than one-third worked less than 26 weeks, or less than half a year.

The work experience of women is quite different. Only about half the women, including both adults and youngsters, were steady year-round workers. The remainder was heavily weighted with part-year and part-time workers. Of a total of 36.6 million women workers during the year, nearly 14 million worked less than 40 weeks and over 10 million of these worked less than half a year.

One significant point in connection with this aspect of the labor force is that the experience of nonwhites differed very little from that of the whites. Among Negro men, for example, the figure for year-round steady work experience (nearly 80 percent of the total) was approximately the same as for white men.

These statistics highlight the point that adult men in the labor force to a very high degree occupy full-time, year-round jobs, while women and teenagers (both boys and girls) constitute the volatile sectors of the labor force, the groups who move in and out during the year. It is these volatile groups who constitute a substantial majority of the currently unemployed. As noted earlier, adult women together with teenage boys and girls constituted, in April 1969, nearly five out of eight of the unemployed. The majority of the unemployed, as of the early months of 1969, were composed of secondary and part-time earners, very largely women and young people.

3. Women Workers, the expansible element in the labor force.

The BLS has stated that "the continuing change of greatest effect, as well as greatest magnitude, in labor force participation is among married women."1/ This trend has been especially marked since the end of World War II. In 1947, only one-fifth of America's married women were in the labor force but by 1967 it was one-third. Married women now constitute a majority of all working women--57 percent in 1967 compared to only 41 percent in 1947. This increase in the number of married women who are working is responsible for adding 7.4 million workers to the labor force since 1947--equivalent to nearly one-tenth of the current force. That addition has been an important factor in the growth of the nation's economy.

1/ Vera Perrella, "Women and the Labor Force," Monthly Labor Review, February 1968, p. 1.

In the family life cycle, women tend to join the labor force in the late teens and early twenties, then drop out to have babies in the next ten to twenty years, and eventually return to work outside the home when their children have grown. In March 1967, among married women under age 35, nearly two-thirds of those without children were in the labor force, while only about one quarter of those with children under six were attempting to work. On the other hand, nearly half of all women between the ages of 45 and 55 are in the labor force.

Married women have had a marked impact upon the character of the jobs in the labor market. Single women are more likely to work full-time the year around, just as men do. But married women with young children are primarily part-time or part-year workers. The great expansion in part-time jobs which has taken place in the economy during the 1960s has been assisted by the availability of part-time job seekers. Between 1957 and 1966, about 30 percent of the increase in nonagricultural employment was in voluntary part-time employment. Married women supplied about two-fifths of that increase, students and semiretired workers, the rest.

Nevertheless, most working wives hold full-time jobs for the periods when they do work. In 1966 about three-fourths of the married women employed in nonagricultural industries worked on full-time schedules--averaging in fact 35.5 hours a week or about three hours more than single women. About one-sixth of employed married women worked 41 hours or more, and a considerable proportion worked overtime for premium pay.

As noted previously, adult women's unemployment rates run approximately double the rates of adult men. The higher incidence of unemployment is due to a variety of factors: (1) the competition of homemaking responsibilities which often force a woman worker into tardiness, absenteeism, and inability to work in emergencies; (2) the seasonal character of some women's participation in work outside the home; and (3) frequent entry and re-entry into the labor force, accompanied by periods of job hunting, particularly for married women.

4. Young Workers, the future labor force.

The labor force experience of young workers in the United States is vastly different from that of comparable youngsters in the industrial nations of Western Europe. One difference lies in the risk of unemployment. In Great Britain, for example, the unemployment rate of young boys, 15-17 years, is actually lower than that of adult men in many years. In France, West Germany, and other such industrial nations, the employment experience of young workers would be about equally good. By contrast, in the United States, the unemployment rates of teenage boys (16-19) often are about five times the rates of adult men, and the rates of teenage girls are usually at least four times those of adult women. Why do our young people have such a different experience in the labor market?

One fundamental reason for the difference between the United States and other countries is the pursuit of higher education. Up until recent years, the typical school-leaving age in Great Britain was 15 years (they are now in the process of raising it), and the number of boys and girls going on for a higher education was small in relation to the total youth population. So, generally, the young entrant into the British labor force is seeking a permanent job--apprenticeship or training in pursuit of a career.

In the United States, over two-thirds of the young people, 15-18 years of age, are in high school and nearly half of this group enters college or other institutions of higher learning, with many of them achieving a college degree at age 22. Moreover, a considerable fraction of United States college graduates take several years of postgraduate work. Thus, school attendance affects the young work force in the United States up to about age 25. The result is that the majority of teenagers who are looking for work are not looking for a permanent career job. They will take a job in June but quit to return to school in September. Or they will take a part-time job to assist them through school, but they have no intention of staying with that employer after graduation. This means that young workers in the United States are frequently entering and leaving the labor force, experiencing unemployment both when they enter and leave, and often not qualifying for the better job opportunities which employers reserve for permanent employees. The high unemployment rates of American youth are in part a direct consequence of the five to ten years of school attendance after age 14.

Another significant factor is the widespread application of the minimum wage to young workers in the United States. In Great Britain and in other Western European nations young workers take jobs at very modest rates of pay. For example, at age 15 the youngster might be paid from one-fourth to one-third the common labor rate for adult workers. At age 16 the pay would be increased to one-half, and at age 17 to three-quarters of the adult rate. At those wages an employer can afford to hire a goodly number of youngsters without being greatly concerned with their performance on the job. Meantime, the youngsters have an opportunity to learn work skills and disciplines and, if they like the job, will have an incentive to stay with it as a stepping stone in their career.

In the United States, with a federal minimum wage of $1.60 an hour, an employer subject to its provisions cannot afford to put up with a mediocre job performance by inexperienced youngsters, 15-17 years of age. He might be encouraged to take a loss on a young employee for a while, but eventually he will weed out all but the best of them--and then he may find that these do not stay with him anyway.

State laws in the United States constitute further limitations on youth opportunity for jobs. Many states have minimum wage laws that apply to situations not covered by the federal minimum. Moreover, state child labor laws have the effect of narrowing the industries and occupa-

tions in which youngsters are permitted to work. For example, young workers under age 18 are practically excluded from manufacturing industries, and these industries employ about one-fourth of the nation's work force, or one-third of all employees.

The employment handicaps of young workers are further accentuated by their attitude toward those job opportunities which are in fact open to them. Beginning at the bottom as an unskilled worker does not appeal to the vast majority of youngsters. They do not want what they consider to be "dead-end jobs" at low pay. They want a "good job" at "good pay," a job "with a future." The trouble is that large numbers of unemployed youth, white and nonwhite, simply are not yet qualified for those good jobs with a future. There are indeed almost unlimited opportunities in the American economy for educated, trained, and effective young workers; but the job market for the unskilled and the mediocre is shrinking and already has an ample supply of adult workers.

The school-work relationship is so important in the American economy that we should explore it in greater detail. In the month of October 1967, when the school year was well under way, the proportion of America's young people in each age group that was enrolled in school was as follows:1/

PERCENT OF AGE GROUP ENROLLED IN SCHOOL

Age group	Both sexes	Boys	Girls
16-17	88.8	90.9	86.7
18-19	47.6	56.3	40.3
20-21	33.3	44.3	24.9
22-24	13.6	21.0	7.4

The first point that strikes the reader is that boys have a higher school attendance rate than girls, especially in the college years. In the 20-21 age bracket, 44 percent of the boys but only one-fourth of the girls are in school. For the postgraduate years, ages 22-24, the attendance rate for boys is nearly three times the rate for girls.

The next point of significance is the high rates of school attendance far into the twenties. If education can be assumed to be of substantial value to a young worker, the labor force of the future is assured of improved quality. But these figures also support the point made above, namely, that school attendance alternating with work experience can generate substantial short-term unemployment.

1/ Forrest Bogan, "Employment of School Age Youth," Monthly Labor Review, October 1968, p. 33.

The patterns of school and work through successive age brackets from 16 through 24 are illustrated by the following figures:1/

EMPLOYMENT STATUS OF YOUNG MEN
(October 1967)

	Age 16-19	Age 20-21	Age 22-24
Civilian non-institutional population	6,466,000	2,506,000	3,584,000
In school only	2,891,000	609,000	332,000
In school and in the labor force	1,980,000	502,000	419,000
Not in school, in the labor force	1,362,000	1,298,000	2,774,000
Neither in school nor labor force	233,000	97,000	59,000

Note the considerable numbers who are going to school exclusively (within the school year)--2.9 million teenagers and a total of nearly one million in the other two age groups. Then note the persistence of the large numbers who are combining school and labor force experience--nearly 2.0 million teenagers and somewhat less than one million others. Of course, the number who have left school to join the the labor force multiplies with advancing age. There are about as many in this category in the two-year age bracket, 20-21, as in the four-year age bracket, 16-19, and the 2.8 million figure for ages 22-24 is to be expected. Finally, it is worth noting the significant numbers in the two groups covering ages 16 to 21 who are neither in school nor in the labor force. Some few of these were undoubtedly ill or disabled, and perhaps some others were on vacation. But it is somewhat surprising that such substantial numbers should be out of school and yet not making any effort to seek work. It must be emphasized that these youngsters would not be counted as unemployed.

Similar tabulations are available for the school-work relationship for young women. Without citing the detailed statistics, it can be said that (1) the proportions in school are smaller (as noted previously), (2) the proportions in the labor force are also smaller, but (3) the numbers both out of school and out of the labor force are very large. For the 16-19 year bracket, over one million female teenagers were both out of school and out of the labor force; for 20-21, there were another million, and for 22-24, not far from two million. Of course the bulk of these were homemakers, and many of them were married. Women in those early ages of maturity are pointed toward homemaking and marriage.

In the light of this background, let us look at the unemployment problems of the young workers in the labor force:

1/ Ibid.

UNEMPLOYMENT FOR SCHOOL AGE WORKERS 1/
(October 1967)

Age	Enrolled in school		Not enrolled in school	
Males	Labor force number	Unemployment rate	Labor force number	Unemployment rate
16-19	1,980,000	13.2%	1,362,000	12.5%
20-21	502,000	6.0	1,298,000	5.3
22-24	419,000	3.6	2,774,000	3.3
Females				
16-19	1,275,000	11.1%	1,511,000	16.9%
20-21	302,000	11.3	1,508,000	9.1
22-24	196,000	2.0	2,047,000	6.8

Among young men, there was little difference in unemployment between the in-school and out-of-school categories, age group by age group. The percentages average around 13 percent for the 16-19 age group, drop down to 5 to 6 percent for ages 20-21, and are not far above adult men's levels for ages 22-24.

Among the girls the same general pattern can be observed. Unemployment rates are high for female teenagers, particularly for those out of school. They are much higher than the rates for boys at ages 20-21; and they are still high at ages 22-24. The extremely low rate of 2.0 percent for girls in school at ages 22-24 is probably subject to statistical error because the number of girls in the labor force at those ages is too small (one-tenth of the out-of-school girls in the same age class) to permit reliable inferences.

The major conclusion to be drawn from these tables is that the out-of-school and in-school groups have about the same unemployment experience, whether they are boys or girls. However, the rates for these two groups do not reflect similar labor market conditions. School enrollees are more likely to have part-time temporary jobs, and their unemployment rates reflect the instability of those jobs. Out-of-school youth are more likely to hold regular full-time jobs, and their rates reflect to a greater extent the instability of the workers. Some additional statistics support this point of view. In 1961, nearly one-fourth of the young persons under age 25 changed jobs, as compared to only one-tenth of adults 25 and over. In 1964, about 40 percent of the young men who worked had changed jobs, and half of them had been unemployed in the process. At the time of the household survey of October 1967, half a million out-of-school youths had left one job and were looking for another, and nearly 30 percent of this number represented

1/ Ibid.

voluntary quits. Finally, a majority of young persons not in school looked for a job for less than five weeks, and only about one-tenth of them looked for as long as 15 weeks. To quote the conclusion of an article published by the Bureau of Labor Statistics:

> Shopping around contributes to the high level of unemployment of out-of-school youths. More research is necessary to determine whether or not the extent of shopping around should dictate the major manpower policy considerations for youths.1/

The persistently high unemployment rates of young persons even during the peak prosperity of recent years has been attributed in some degree to the growing proportions of young workers entering the labor force. During the 1950s, young workers were relatively scarce, so much so that there was pressure to keep older workers in the labor force by postponing retirement. Now it is the young workers who are in ample supply and who are crowding the labor market.

This consideration applies with special force to young nonwhites, who are increasing in numbers faster than young whites. Among persons 25 years of age and over, nonwhites comprise barely 10 percent of the total. But, in 1967, they constituted about one in eight of the age group, 20 to 24, and close to one in seven of the teenage group, 16 to 19. At the same time, young nonwhites bring less education and training to the labor market than young whites. Even if there were less job discrimination than there is, young Negro boys and girls would still find job-getting difficult. This is one reason why there were almost as many Negro teenagers unemployed in April 1969 as adult Negro men, even though the latter had nearly seven times as many workers in the labor force. It was stated earlier that, from an overall nationwide point of view, the unemployment problem of Negro adult men is not a large one. It is necessary to emphasize at this point that the unemployment problem of Negro boys and girls is large and growing. The effective entry of these young people into the labor force is doubly important, since they have half a century of labor force participation ahead of them.

5. Older Workers, hastening toward retirement.

Older workers, whether men or women, do not constitute a major unemployment problem, but it is important to understand why they do not. In April 1969, men aged 45-54 had an unemployment rate of 1.5 percent; 55-64, 1.8 percent; and 65 and over, 1.8 percent. But this last and oldest group contributed only 40,000 to the unemployed total of 2.5 million. For the nonwhites, the unemployment rate of older men, ages 45-64, was actually lower than the rate for men in the lower age categories.

1/ Ibid., p. 38.

Among older women the same pattern exists. Unemployment rates in April 1969 were 2.3 percent for the age group, 45-54, and 2.2 percent for 55-64. At those ages, even though more than half the female population is in the labor force, women who do not find jobs are more likely to consider themselves homemakers than unemployed.

However, for men there is no such prevalent alternative occupation. What about the men under age 65 who are not in the labor force? Why not? The Bureau of Labor Statistics has conducted some special studies on this question.1/ In February 1967, there were 2.3 million men, aged 20-64, who were not in the labor force. About 470,000 of them were out of the labor force only temporarily and planned to re-enter within four weeks. This left 1,840,000, of whom nearly three-fourths classified themselves as "sick or disabled," while over half of the remainder were retired. Nearly all of the retired men were in the 60-64 age group and were white. Apparently, large numbers of Negro men in the 60-64 age group either had not acquired social security or private pensions, or else they could not afford to retire on the benefits.

But what about the really aged, men and women 65 years and over? How do they relate to the labor force, employment, and unemployment? In early 1967, there were considerably more than 18 million people in this age group--about eight million men and over 10 million women. Of these, about two million men and one million women were in the labor force. What were the other 15-odd million doing? The answer is to be found in the social security statistics. More than 10 million persons were drawing retirement benefits and another 700,000 were receiving special age-72 benefits. Secondly, there were about 4.5 million survivors and dependents, some of whom were over 65. Finally, there were about two million persons drawing old age assistance. Even allowing for the double counting in the figures (persons in two programs), it is clear that the vast majority of aged persons in the United States are living on private pensions, social security, and other old age benefits.

The import of all this for labor force statistics is that if there were no social security, there would be many millions of men and perhaps some millions of women working or seeking work. What would be the result? The answer has two sides. On the one hand, many able-bodied men and women who retire are capable of getting and holding jobs, and they would add to the employed and to the productive capacity of the economy. On the other hand, there would be other millions, men and women, who would be seeking jobs unsuccessfully, and they would swell the ranks of the unemployed in the monthly statistics. The fact that they had limited capability would not prevent them from offering their labor.

1/ Vera Perrella and Edward O'Boyle, "Work Plans of Men Not in the Labor Force," Monthly Labor Review, August 1968, p. 8, and September 1968, p. 35.

Stated in another way, old age insurance has undoubtedly removed some capable workers from the work force and has thereby lessened to some extent the rate of economic growth, but it has also spared many millions of older workers from unemployment. In the absence of social security and other retirement and assistance programs for the aged, the monthly unemployment statistics would be much higher.

Section IV. THE UNEMPLOYED ARE NOT ALL POOR

There are millions of poor people in the U.S. and unemployment makes its contribution to the poverty problem. But it is a great mistake to assume that "full employment" is the cure-all for poverty. There is a connection between unemployment and poverty, but by no means a close one.

The classic stereotype of the unemployed individual is the father of a family, with a wife and one or more children who are destitute because father does not have a job. However, this combination of unemployment and destitution is not at all representative of the situation in the U.S. today.

1. The Contributions of Secondary Earners.

A family's first line of defense against poverty and destitution is to have more than one wage-earner. An article in the Monthly Labor Review analyzes the results of a special survey conducted by the Bureau of Labor Statistics in March 1967.1/ Members of families, as distinct from lone individuals, were represented in the labor force that month by a total of 70.8 million persons, consisting of the following:

Male heads	38.0 million
Female heads	2.7 million
Wives of heads	15.7 million
Other relatives	14.4 million

The characteristic pattern of income-earnings stands out clearly. There were 40.7 million families who had a total of 30 million additional earners--wives and other relatives (mostly older

1/ Elizabeth Waldman and Yvonne Olson, "Unemployment in the American Family," Monthly Labor Review, October 1968, p. 39.

children). That indicates an average of three-fourths of an additional earner per family. Furthermore, March is not a peak month for additional earners; June, July, and August would show even higher proportions. Finally, as already noted in an earlier section, these additional earners have a high rate of turnover during the year. Wives leaving the labor market in one month may re-enter it a few months later. It is possible that as many as 90 percent of the families participating in the labor force have additional earners at some time during the year.

One point is clear. The typical family acquires its annual earned income by putting secondary earners into the labor market. Many of these secondary earners are part-time and intermittent workers, but their earnings are an important factor in achieving and maintaining the family's standard of living. The male head does not have to do it all alone.

Furthermore, this plurality of earners eases and cushions the burden of unemployment for the individual and for the family as a whole. The unemployment rate for the whole group--men, women, and youngsters--was 3.9 percent in March 1967. The rate for male heads of families was only 2.1 percent. (In April 1969, the rate for married men was 1.5 percent.) On the other hand, wives and female heads both had unemployment rates of about 4.5 percent (more than twice the men's rate), and the other relatives, male and female, had a rate of 7.8 percent. Thus, family heads, who are usually the primary earners, experience relatively little unemployment, and what they do experience is offset in part by the earnings of other members of the family. The latter (secondary earners) experience higher rates of unemployment, but these higher rates can be attributed largely to the fact that secondary earners are part-time and intermittent earners who are frequently in and out of the labor force.

Sometimes, of course, all members of the family are unfortunate together. In March 1967 , there were 1.5 million unemployed wives and children in families headed by a male, and about 6 percent of them, (less than 100,000) were in families where the head was also unemployed.

The importance of the earnings of secondary earners in the family is demonstrated by the income data from the BLS studies which are conducted in March of each year.1/ The families surveyed in March 1967 reported on their annual incomes from all sources in 1966. The incomes were classified into three groups--less than $3,000, between $3,000 and $7,000, and $7,000 and over. Of the 70.8 million family members in the labor force in March 1967, only a little more than 7 percent (about one person out of 14) were members of families whose incomes were less than $3,000 in 1966. Nearly two-thirds lived in

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1/ Ibid.

families with earnings of $7,000 or more. The median income for all families surveyed was $8,700.

One gauge of the effect of unemployment can be obtained by comparing the employed with the unemployed. As indicated above, 68.0 million of these family members were employed in March 1967, while 2.7 million were unemployed. How well did the families of the employed do as compared to the unemployed?

This comparison has some limitations, because those who were unemployed in March were not necessarily unemployed during all of 1966, nor did all those who were employed in March escape some unemployment in 1966. Nevertheless, it is worth noting that about one-sixth of the families of the 2,735,000 persons who were unemployed in March 1967 had 1966 family incomes of less than $3,000. But on the other hand, nearly half of these families (45 percent) had incomes of $7,000 or more, and the median income of all such families was $6,550.

One explanation for these relatively high earnings for families containing unemployed can be found in the family status of those members who experienced unemployment. Among the 2,735,000 unemployed in March 1967, only about one-third were primary earners (usually male heads). The secondary earners included 450,000 wives and 650,000 other relatives of the family head. The remainder were either new entrants or re-entrants who had no earnings during 1966.

In addition to the earnings of employed members, families may also have income from unemployment insurance benefits. In fiscal year 1968, the total number of wage and salary employees covered by all unemployment insurance programs (state, railroad, federal employees, and ex-service men) was 57.2 million, more than three-fourths of all wage and salary employees who were on payrolls at any time during the year. In January 1969, when a total of about 2.9 million workers were unemployed, nearly 1.6 million were drawing benefits under all programs; the average weekly benefit under the state programs was $46.16. Altogether, some $2.2 billion was paid out to the unemployed in insurance benefits during calendar year 1968.1/

The above analysis has located some of the poor, but far from the total. In March 1967, no less than 8.3 million persons were members of family units in which no one had earned money from wages, salaries, or self-employment in 1966. These units consisted of 2.9 million

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1/ Fiscal 1968 data supplied by Unemployment Insurance Service, Manpower Administration, Department of Labor; see also Unemployment Insurance Statistics, Table 3, April 1969, Manpower Administration, Department of Labor.

husband-wife families and about 1.1 million families with women heads--a total of 4 million families averaging just about two persons each. Median family income for the group was between $2,400 and $2,500, and was derived from such sources as investments, social security, private pensions, government pensions, and welfare payments.1/ These statistics support the conclusion that a substantial fraction of the poor people in the United States are poor because they live in families without earners.

To sum up, there are three sources of poverty, one of which is unemployed workers. The other two are (a) persons (and their family members) who are aged, retired, disabled, or otherwise unable to work outside the home, and who are therefore without earnings, and (b) fully employed workers (and their family members) whose earnings are insufficient to maintain a level of living above the poverty line (the employed poor). In neither of these latter two types of poverty is unemployment, as such, a factor.

2. Unemployment Is Unevenly Distributed Throughout the Country.

Prior to 1967, the size of the sample in the household survey was not large enough to provide labor force data for states and localities. The increase of the sample to 50,000 households in 1967, coupled with resources for special studies, has enabled the Bureau of Labor Statistics to produce some regional, state, and local data. The results show the wide variations in unemployment rates in different parts of the country.

First, there is a significant difference in employment by regions, as shown by the comparative unemployment rates for 1968 (annual averages).2/

Northeast (New England, Middle Atlantic)	3.2%
North Central (East, North, and West North)	3.0
South (Atlantic, East and West South Central)	3.7
West (Mountain and Pacific)	4.9
U.S. average	3.6

1/ Waldman and Olson, op. cit.

2/ Paul M. Schwab, "Unemployment in the 10 Largest States and Major Regions," Employment and Earnings and Monthly Report on the Labor Force, Bureau of Labor Statistics, May 1969.

The figure for the West was influenced by the high unemployment rate of 5.1 percent in California and, to a lesser extent, by the Mountain Region rate of 4.4 percent. The South's rate was approximately the same as the national average, but it was understated in the sense that a high proportion of Southern workers were working part-time for economic reasons. This was partly due to the large proportion of Negro workers, who are more heavily employed in low-skill jobs in farming and other industries where part-time employment is widespread.

Second, unemployment profiles for the 10 most populous states, which together contained about 45 million workers in 1968, show even wider variations. The following table ranks these states according to their 1968 average unemployment rates:1/

California	5.1%	Ohio	3.4%
Michigan	3.9	New Jersey	3.3
Florida	3.8	New York	3.1
Pennsylvania	3.4	Illinois	2.9
Texas	3.4	Massachusetts	2.9
		Ten states combined	3.6%
		Total, U.S.	3.6

California had the highest rates for adult men and adult women and, in addition, was practically tied with Florida for teenagers, 16-19 years. California rates are influenced by the large proportions of Mexican-Americans and by continued immigration into the state. At the other end of the list, Illinois had the lowest unemployment rate for adult men (1.7 percent) and for adult women (2.8 percent). Massachusetts had a low rate for adult women and by far the lowest for teenagers (9.1 percent).

For the nonwhites, New York's unemployment rates were the lowest in the list, and they were exceptionally low for adult women (2.8 percent). In New York the ratio of nonwhite to white unemployment rates was only 1.4-to-1 compared to a national average of 2.1-to-1. Conversely, in Ohio and Illinois the ratios were in excess of 3-to-1.

To dig still more deeply into the problem of local pockets of unemployment, in 1966 the Bureau of Labor Statistics began a series of surveys of employment conditions in urban poverty neighborhoods. In 1968, it published a comprehensive analysis of the unemployment problems of the poorest one-fifth of the neighborhoods in the 100 largest metropolitan areas.2/ Those poverty neighborhoods were found to contain

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1/ Ibid.

2/ Paul Ryscavage and Hazel Willacy, "Employment of the Nation's Urban Poor," Monthly Labor Review, August 1968.

an extremely high concentration of Negroes and an above-average number of broken families. Almost 40 percent of the inhabitants of poverty neighborhoods were Negroes, who comprised about one-half of all urban Negroes in the United States. Secondly, about 20 percent of the inhabitants were widowed, divorced, or separated, and about 15 percent were women heads of households.

All classes of workers living in poverty neighborhoods have abnormally high rates of unemployment. For the whole group, the unemployment rate was 6.8 percent in 1967 as against 3.4 percent for workers living in other urban neighborhoods. Furthermore, almost one quarter (23.5 percent) of the teenagers were unemployed, a rate that is nearly double the teenagers' rate in other urban neighborhoods. And, as usual, Negroes were the worst sufferers: their overall rate of unemployment was 8.9 percent, compared to 5.3 for whites.

Not only is unemployment high in poverty neighborhoods but also the jobs that people hold are not as good as the typical job in other urban neighborhoods. About 57 percent of the poverty group were employed in semi-skilled, unskilled, and service occupations. Less than one-third held white-collar jobs.

The poverty neighborhoods are the places where, contrary to the observation made earlier in this section, unemployment is a direct and important cause of poverty. Nearly 170,000 heads of families in poverty neighborhoods were unemployed in 1967, and this group had an unemployment rate almost 2 1/2 times as high as family heads in other urban areas. Nearly one-third of all household heads in the poverty neighborhoods were women, who had a jobless rate of 5.2 percent.

More recent figures show substantial improvement within the past year.1/ The unemployment rate in poverty neighborhoods, which was 7.0 percent in the first quarter of 1968, fell to 5.6 percent in the first quarter of 1969. Over the same period the United States rate declined from 4.0 to 3.6 percent. Note that the drop in the poverty neighborhoods was proportionately twice as great as in the country as a whole. Moreover, nonwhites in the slums shared with their white neighbors the improvement in employment conditions: the nonwhite rate fell from 8.7 percent to 7.0 percent. In the boom conditions of 1969 even the urban ghettos are on their way up.

1/ Press release, Bureau of Labor Statistics, May 1969.

Section V. THE DYNAMICS OF UNEMPLOYMENT

It has already been demonstrated that the labor force is a fluid thing--that large numbers of people are shifting in and out of the labor force, in and out of employment. But, in order to understand unemployment, it is also necessary to look at the behavior of the economy itself, at the source of the jobs which people hold or which they seek to obtain. In such a "new look" we encounter the dynamic forces of seasonality and business cycles. The nation's unemployment responds to these forces.

1. Seasonality--it is still with us.

A substantial fraction of U.S. unemployment every year is the result of seasonal fluctuations in industry and agriculture. In the early 1960's the Bureau of Labor Statistics estimated that about 20 percent of any one year's unemployment could be attributed to seasonality. 1/

In some sectors of the economy, such as agriculture and construction, the seasonal swings are substantial:

PATTERN OF AGRICULTURAL EMPLOYMENT, 1968 2/

January	3,366,000	July	4,476,000
February	3,462,000	August	4,107,000
March	3,537,000	September	3,836,000
April	3,851,000	October	3,767,000
May	3,996,000	November	3,607,000
June	4,516,000	December	3,279,000

From the midwinter low in January to the midsummer peak in June there was an increase of about 1.1 million jobs, an expansion of considerably more than one-third. In the second half of the year there was a decline of about 1.2 million. Despite this pattern in agriculture, the peak in overall unemployment is not in midwinter when it might be expected but in June when agricultural employment is at its seasonal peak. Actually, agriculture and agriculture-related industries furnish substantial summer employment to students seeking vacation work and to women from the home who are occasional or intermittent workers, but not enough to match the increased labor supply at this time of year.

1/ Robert J. Myers and Sol Swerdloff, "Seasonality and Construction," Monthly Labor Review, September 1967.

2/ Economic Report of the President, 1969, p. 253.

The American educational system developed in an agricultural economy. The school term ends in May and begins again in September, thus enabling youngsters to help with farm work. In early 1969 the BLS reported that:

> An estimated 3.7 million young students will enter the labor force between April and July this year: nearly 2.8 million will be students looking for summertime employment and about 1 million will be high school and college students looking for permanent jobs.1/

Decades ago, when agriculture was dominant, there were generally enough summer jobs to go around. However, with the mechanization of agriculture and the restrictions on crop output, there are no longer enough farm jobs to meet the supply of student job-seekers. Moreover, the other summer-seasonal industries are not large enough to pick up the slack.

Consequently the peak unemployment month of the year in the U.S. is not January or February, but June. And this peak is primarily due to the growing flood of young people who enter the labor market every spring. The point is well illustrated by the following table showing teenage unemployment for each month of 1968.2/

NUMBER OF TEENAGERS UNEMPLOYED
(16-19, both sexes)

January	650,000	July	1,302,000
February	769,000	August	823,000
March	722,000	September	741,000
April	619,000	October	723,000
May	616,000	November	776,000
June	1,598,000	December	727,000

It is apparent at a glance that the three months, June through August, contributed more than one-third of the year's unemployment for teenagers. The remaining nine months averaged 720,000 unemployed a month, while the three summer months averaged nearly 1,200,000. Such summer unemployment of the school population not only helps create the high unemployment rates of youth, but also raises the overall unemployment rates--in the summer months as well as in the annual averages.

In the construction industry, there is a similar seasonal pattern --a wide differential in employment between the midsummer peak and the midwinter low.

1/ Occupational Outlook Quarterly, Spring 1969.

2/ Employment & Earnings and Monthly Report on the Labor Force, monthly issues, 1968-69.

EMPLOYMENT IN CONTRACT CONSTRUCTION,
FEBRUARY AND AUGUST, 1956-68 1/

Year	February	August	August higher than February
1968	2,893,000	3,553,000	22.8%
1967	2,863,000	3,594,000	25.5
1966	2,818,000	3,641,000	29.2
1965	2,713,000	3,575,000	31.8
1964	2,584,000	3,426,000	32.6
1963	2,439,000	3,355,000	37.6
1962	2,418,000	3,284,000	35.8
1961	2,339,000	3,157,000	35.0
1960	2,518,000	3,224,000	28.0
1959	2,456,000	3,323,000	35.3
1958	2,295,000	3,061,000	33.4
1957	2,583,000	3,199,000	23.8
1956	2,529,000	3,361,000	32.9

For the period covered in the above table, the margin of August over February averaged higher than 30 percent, in some years more than one-third. In the last five years, however, and especially in the last two, the record shows a marked improvement. In 1963 the differential amounted to over 900,000 jobs and in the next three years, it was more than 800,000; but in 1968 it had been reduced to 660,000, or 22.8 percent of February employment.

It is likely that the recent improvement can be attributed to industry efforts to develop greater year-round stability in construction activity. Some years ago, Secretary of Labor Willard Wirtz and New Jersey Labor Commissioner Ray Male surveyed the seasonality problem in construction in connection with a wage dispute. (High wages in the construction industry have been defended on the ground that the work is unstable and that high wages are an offset to lost time.) Secretary Wirtz directed the Bureau of Labor Statistics to make studies of seasonality in the industry which are still continuing.

Monthly unemployment rates for construction workers reveal both the industry's seasonal pattern and the greater stability in this pattern in recent years.

1/ Monthly Labor Review, September 1967; for 1967 and 1968 figures, see Monthly Labor Review, February 1968 and December 1968, Table A-9.

UNEMPLOYMENT RATES FOR EXPERIENCED WAGE AND SALARY WORKERS IN PRIVATE CONSTRUCTION 1/

	February	August
1968	12.6%	4.2%
1967	13.0	4.3
1966	13.1	4.9
1965	19.2	6.0
1964	19.1	7.4

The labor force in construction consists primarily of male adult workers permanently attached to the industry, who enjoy considerable overtime at premium pay in the summer months, but who experience substantial unemployment in the off season. Being regular workers they qualify for unemployment insurance. Thus, while construction workers constitute only about 5 percent of total nonagricultural employees, they comprise from 16 to 20 percent of the insured unemployed in any given year.

The impact of construction unemployment upon the state unemployment insurance system is illustrated by some data compiled by the Unemployment Insurance Service of the Manpower Administration. Benefit payments for seven large states 2/ were analyzed for the years 1963-67. In 1963, when total benefits in the seven states combined amounted to $1.6 billion, benefits paid to unemployed construction workers were 18.1 percent of the total. In 1966, the construction workers' share was 22.9 percent out of total benefits that were slightly over $1.0 billion and, in 1967, 21.2 percent out of nearly $1.2 billion.3/

The highly seasonal nature of the American economy must be taken into account when making international comparisons of unemployment rates. The United States usually shows up badly in such comparisons. Western European industrial nations have unemployment rates of 2 percent, 1 percent, and even less. One explanation of the difference is that Western European nations do not obtain their statistics from household surveys as does the

1/ Robert J. Myers and Sol Swerdloff, "Seasonality and Construction," Monthly Labor Review, September 1967.

2/ California, Florida, Illinois, Michigan, New York, Ohio, and Pennsylvania.

3/ Data supplied by Office of Actuarial and Research Services of the Unemployment Insurance Service, Manpower Administration, Department of Labor.

United States (and Canada). Their methods miss some of the unemployed that are picked up by the United States' method of home visits. A second explanation, as indicated above, lies in the differing labor force experience of young workers.

A third significant factor comes from the European system of using imported labor. In Switzerland, for example, normally about 750,000 workers out of a total labor force of 2.5 million are migrants from abroad. These migrants supply labor for expansion in industry and jobs, but when there is a seasonal or cyclical decline, they are sent back home. Unemployment is exported, so to speak, and, as a consequence, Switzerland reports unemployment rates as low as 0.3 percent--less than one-tenth of the U.S. rate even at a prosperity peak. Similarly, West Germany uses 1.2 million imported workers from Italy, Greece, Turkey, and elsewhere, and France over one million. And, significantly, those economies are about one-fourth the size of the U.S. economy. Since the U.S. has practically eliminated the importation of seasonal laborers, any temporary reduction in U.S. employment caused by seasonal factors is fully reflected in the unemployment statistics.

2. The Business Cycle--its impact on unemployment.

The last business recession recognized by the National Bureau of Economic Research hit bottom in the early months of 1961. It is now eight years since that gloomy day when unemployment loomed as one of the nation's most urgent problems. In those eight years, there have been a few pauses and slowdowns, but no serious interruption in the pattern of continuing recovery and prosperity. U.S. unemployment rates today are the lowest they have been since the Korean War. Unhappily, these low rates have been accompanied by wage and price increases about equal to those of the 1950-51 and 1956-57 periods. The first period of such increases was followed by wage and price controls and the latter by the recession of 1958.

What has the decade of the 1960s done to America's unemployment problem? What has happened during the minor recessions of the last dozen years? And what might happen if we should have another one? To check on these questions, it is necessary to go back far enough to get some perspective but it is not necessary to fill in all the gaps. For the purposes here, comparisons of key unemployment statistics for the prosperity year 1957, the two recession years 1958 and 1961, and the boom year of 1968 will be sufficient. The following table gives the basic characteristics of the unemployed workers in those years.1/

1/ Employment and Earnings and Monthly Report on the Labor Force, February 1969; figures are calendar-year averages of monthly data.

UNEMPLOYMENT FOR SELECTED YEARS

Numbers of unemployed (000s)	1957	1958	1961	1968
Adult men	1,541	2,681	2,518	993
Adult women	821	1,242	1,368	985
Young workers (16-19)	497	678	828	838
Total	2,859	4,601	4,714	2,816
Unemployment rates				
Adult men	3.6%	6.2%	5.7%	2.2%
Adult women	4.1	6.1	6.3	3.8
Young workers (16-19)	11.6	15.9	16.8	12.7
Total	4.3	6.8	6.7	3.6

The total volume of unemployment was practically identical in 1957 and 1968, but, of course, the 1968 unemployment rate was lower because there was an increase in employment of about 12 million workers over the 11-year period. The most striking feature of the table is the marked shift in the unemployment load from men to women and youngsters. In 1957, almost 55 percent of the unemployed were adult men, and that percentage did not vary significantly in the two recession years of 1958 and 1961. But in 1968 men made up little more than one-third of the total, and the number of unemployed men decreased nearly 35 percent between 1957 and 1968.

On the other hand, women's and youngsters' unemployment increased substantially in this period, both in volume and in relation to unemployment for men. In 1957, only about half as many women were unemployed as men, and the proportion was about the same in 1958 and 1961. But in 1968 women's unemployment was almost exactly equal to men's. Similarly, in 1957, only a third as many young workers were unemployed as men but, by 1968, the fraction was four-fifths. Young workers' unemployment increased by about two-thirds from 1957 to 1968 and, in the latter year, they comprised 30 percent of the total unemployed.

The higher unemployment volume for both women and youngsters is partly due to the growing numbers of these groups in the labor force. The teenage labor force grew from 4.3 million in 1957 to 6.6 million in 1968, a rise of over 50 percent, and women workers increased from less than 20 million to over 26 million (annual averages). For the period, the women's unemployment rate decreased slightly--from 4.1 to 3.8 percent; but the young workers' rate went up--from 11.6 to 12.7 percent.

Here once more it is necessary to note the different experience of whites and nonwhites. Among adult women, the unemployment rate for whites dropped significantly between 1957 and 1968 but the rate for nonwhites remained practically the same. So too with the teenagers--the unemployment rate for white teenagers increased moderately from 10.6 to 11, while the rate for nonwhites went from 19.1 to 24.9.

The years 1958 and 1961 deserve special attention because they portray the effect of a business recession upon the character of the unemployment load. Blue-collar workers, most of whom are males, comprised over 2.6 million of the unemployed in 1958 and about 2.4 million in 1961. By 1968, this number had fallen to only 1.2 million. Furthermore, the number of unemployed operatives, both male and female, was more than twice as high in the recession years as it was in 1968. So was the number of unemployed nonfarm laborers, who are nearly all males.

What has happened is that the continuing business recovery of the 1960s has brought about steady employment in the industries and occupations most susceptible to the business cycle. This has resulted in full-time work and little unemployment among men workers in those sectors of the economy.

There is another impact of prosperity upon the labor force which is well known but often neglected in appraising economic conditions. While some members of the nation's labor force are unemployed or underemployed, others are what is called "overemployed," meaning that they work a great deal more than the average. That is not a good term because it implies that there is something wrong with working long hours, which is not necessarily the case. I have coined the term "superemployment" to characterize this situation.

At this point it is needless to debate the issue as to whether the superemployed work longer hours voluntarily for the sake of obtaining higher incomes, or whether they work from necessity, that is, to maintain a minimum standard of living. Some workers seek extra work willingly and even eagerly; no doubt others feel driven to it.

There are two kinds of superemployment: (1) multiple jobholding, or moonlighting, and (2) overtime work on the same job.

A recent survey of moonlighting, conducted by the Bureau of Labor Statistics in May 1966, shows that 3.6 million workers (about 5 percent of all employed persons) held two or more jobs in the same week. These were persons who (1) had jobs as wage or salary workers with two employers or more; (2) were self-employed and also held a wage or salary job; or (3) worked as an unpaid family worker, but also had a secondary wage or salary job. (The survey also included persons who had two jobs because they changed from one job to another during the week, but this group was very small, only about 2 percent of all multiple jobholders.) The author of the BLS report characterized the multiple jobholder as follows:

> The typical multiple jobholder is a comparatively young married man with children who feels a financial squeeze. He has a full-time primary job and moonlights about 13 hours a week at a different line of work. Teachers, policemen, firemen, postal workers, and farmers

are most likely to moonlight. Many of them work for themselves on their extra jobs (operating farms or small businesses) while many others are sales or service workers.1/

According to the survey, multiple jobholders averaged 39 hours a week on their primary jobs, and 13 hours on their additional jobs, for a total of 52 hours a week. The influence of young children and financial pressure is evident in the statistics. Over 10 percent of the male heads of households with five children or more were holding multiple jobs in May 1966, while only little more than 5 percent of such heads without children were holding additional jobs. Married men earning less than $60 a week had a moonlighting rate of 12.5 percent, while those earning $200 or more had a rate of only 5.3.

An important point to remember about moonlighting is that it is not a way out for the unemployed. Secondary jobs are mostly part-time or occasional jobs that would not support a full-time worker. Moreover, generally these jobs represent a special, tailor-made combination which is quite personal to the individual moonlighter's situation and well-adapted to his occupation and work habits. Therefore, it is not surprising that there is little evidence that moonlighting is affected by the business cycle. The number of moonlighters was 3.6 million in July 1956 and 1957, and 3.7 million in May 1964 and 1965. It dropped to about 3.0 million in December 1959 and 1960, a drop that might be as much seasonal as cyclical. And there seems to have been little or no growth.

The second type of superemployment in our economy is overtime work at premium pay on one job. Premium pay for overtime is required in many industries by federal and state legislation and it is also negotiated in a great many collective bargaining agreements. The prevailing standard workweek is 40 hours but shorter workweeks, sometimes as low as 25 or 30 hours, have been negotiated.

Statistics on the extent of overtime work are obtained from monthly employer reports on employment, hours of work, and earnings submitted to the Bureau of Labor Statistics and its cooperating state agencies. For most sectors and industries, these employer reports show only the gross weekly hours worked, including whatever overtime existed during the week. Occasional special surveys give figures on the extent of overtime and its premium pay, which can then be converted into straight-time hours and pay. However, for manufacturing industries, the BLS collects every month the overtime hours worked in the survey week and the overtime pay derived from such hours. So it is possible to gauge accurately the precise extent of overtime in manufacturing every month.

1/ Harvey Hamel, "Moonlighting--An Economic Phenomenon," Monthly Labor Review, October 1967, p. 17.

In the first quarter of 1969, overtime hours (seasonally adjusted) in durable goods manufacturing amounted to an average of 3.9 hours per week for 8.5 million production workers. For approximately 6.0 million nondurable goods workers, overtime averaged 3.4 hours. A straight 40-hour week (with no overtime) will produce an average of about 38 hours for the establishment, due to illness, absenteeism, turnover, and other such losses of time. So, for convenience in calculations, 38 hours is considered a reasonable approximation of the weekly average for a plant or firm as a whole when there is a ceiling of 40 hours per employee. How many full-time jobs are represented by the overtime figures given above?

8,500,000 x 3.9 hours	=	33,150,000 hours
6,000,000 x 3.4 "	=	20,400,000 "
Total	=	53,550,000 "
Number of jobs at 38 hours per week	=	1,409,210

In those three months of 1969, the number of unemployed workers whose last job was in manufacturing industries averaged about 700,000. So, hypothetically, the amount of overtime worked in manufacturing would have provided about twice as many full-time jobs as there were manufacturing workers out of work in that period.

Not all overtime represents a choice by the employer to pay overtime premiums to the regular work force in preference to hiring more workers on straight time. In emergencies, as in the case of a machine breakdown, overtime by the skilled machinists is essential. Or a sudden deadline may require the present force to take on the extra work. Or the existing work force may insist on overtime in preference to hiring new workers. But in many instances the employer calculates that time-and-a-half for an experienced worker on his own payroll is a better bargain than hiring, training, and adapting a new employee. The smaller the unemployment in the community the more likely that overtime is the employer's answer to labor shortages.

Manufacturing is not the only sector of the economy which generates substantial amounts of overtime during periods of business expansion. Overtime is widespread in the construction industry, especially in the summer months when building is at its yearly peak. In brief, there are many firms and industries which make use of overtime as a flexible element in their labor supply. In the event of a business downturn, the system works in reverse. Usually, any slackening in the rate of growth is first absorbed by reductions in overtime hours rather than in the layoff of workers. Sometimes an employer will combine the two by not replacing men who voluntarily quit or retire.

Section VI. THE FUTURE OF UNEMPLOYMENT

In early May 1969, newspapers in the United States carried a story about a labor-management agreement negotiated for a meat packing plant in Fort Worth, Texas. The union voted to accept a substantial pay cut by giving up cost-of-living wage increases for two years and by waiving an 11 cents an hour increase scheduled for September 1969. In exchange the company agreed to keep the plant in operation at least until April 1971. This is a classic example of a choice between wages and jobs. In this case the workers elected to preserve their jobs at the price of some wages. In the early 1960s a similar prospect of looming unemployment led some unions to forego demands for wage increases over periods of three and four years. In other words, at times, such restraint may provide the savings which will enable an employer to continue in business and thus maintain the jobs of workers who would otherwise become unemployed.

In more general terms, when unemployment is high, there is a substantial pool of labor available for placement and an unemployed worker is usually willing to take a job at his previous wage. Therefore, an employer planning to expand can find qualified workers at going wage rates, and an increase in production can take place without disturbing the wage-price balance.

Conversely, when unemployment is low, qualified workers are not readily available for an expansion in production. The employer either has to work his present force overtime at premium pay or try to induce an employed worker to move. The latter will almost certainly require higher pay and more generous fringes. Sometimes this results in a matching offer by the present employer, so that the net result is a rise in wages without any job change taking place at all.

This relationship between wage increases and unemployment has been established by economic analysis. A British economist, Professor A. W. Phillips, produced the well-known "Phillips curve," which quantified the relationship in a statistical analysis covering almost a century.1/ The study demonstrated that annual wage rate changes moved upward when unemployment was low or declining, while the annual increases were dampened, or even eliminated, when unemployment was high.

It is not necessary to make a comprehensive analysis of recent experience in the United States to prove that the economic principle is still operating. The table below shows the relationship

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1/ A. W. Phillips, "The Relation Between Unemployment and the Rate of Change in Money Wage Rates in the United Kingdom, 1861-1957," Economica, November 1958.

between negotiated wage rate adjustments (including increases, no changes and decreases) and unemployment rates over the period since the Korean War, 1954-1968. 1/

Year	Wage adjustments (increase each year over previous year)	Unemployment rate
1954	3.1%	5.5%
1955	5.4	4.4
1956	5.4	4.1
1957	4.9	4.3
1958	3.9	6.8
1959	3.9	5.5
1960	3.2	5.5
1961	2.8	6.7
1962	2.9	5.5
1963	3.0	5.7
1964	3.2	5.2
1965	3.8	4.5
1966	4.5	3.8
1967	5.0	3.8
1968	6.0	3.5

The data need no extensive explanation. The years 1955-57 and 1966-68 show unmistakably the effect of low unemployment upon wage rate increases. Likewise, the dampening effect of high unemployment is evident in the years, 1958-1964.

Objection may be made to the importance given here to collectively-bargained wage adjustments, on the ground that organized workers constitute about one-fifth of the labor force, and one-third of nonfarm, private employees. However, collectively-bargained agreements merit such attention because the major union-management negotiations are frequently nationwide in scope involving huge blocs of workers, and the resulting agreements are highly publicized. Moreover, these agreements often set a pattern of wage and fringe benefit increases which are then widely applied to unorganized labor. Bureau of Labor Statistics studies have shown that nonunion settlements tend to follow the patterns set in union agreements, often with some time lag.

Of course, wage and salary determination is a two-way street. Employers exercise their prerogatives more quietly, but nonetheless effectively. Page after page of "help wanted" advertising in the daily

1/ Monthly Labor Review, June 1967, and subsequent press releases.

papers is only one manifestation of the employers' search for more workers, usually from among the already employed. It is not unions which push up salaries for engineers or computer programmers, for typists or managers. This aspect of wage determination does not get headlines in the daily papers. The results show up in the national statistics of earnings and other personal compensation. And, with some exceptions, the behavior of wage and salary increases for office and supervisory personnel also resembles fairly closely the annual patterns of increases for organized labor.

The table above illustrates another point, namely, the effect on wages and employment of the shifts from prosperity to recession and back again. The classic pattern of economic readjustment through unemployment can be seen more clearly in the figures for employment changes in manufacturing industries during the 1958 recession. Manufacturing industries, especially those producing durable goods, are particularly vulnerable to changes in business conditions. As the table below indicates, manufacturing experienced some reduction in average hours of work in 1958 but, since the work week was not very long, this reduction was a minor factor in the readjustment.

PRODUCTION EMPLOYMENT IN MANUFACTURING 1/
(Annual Averages)

	Durable goods industries		Nondurable goods industries	
	Number of workers	Weekly hours	Number of workers	Weekly hours
1957	7,550,000	40.3	5,638,000	39.2
1958	6,579,000	39.5	5,419,000	38.8
Difference	- 971,000	- 0.8	- 219,000	- 0.4

It is the employment figures which tell the 1958 story. Employment declined by nearly one million in durable goods and by well over 200,000 in nondurable goods, for a total reduction in manufacturing of 1.2 million. For the entire private economy, the decline in employment was about 1.2 million, offset in part by a rise of about 200,000 jobs in state and local government. Thus, the manufacturing industries bore the brunt of that recession, and the rest of the economy just about stood still. New entrants to the labor force found tough going, unemployment rose by 1.75 million, and the unemployment rate rose from 4.3 percent in 1957 to 6.8 percent in 1958. The business

1/ Employment and Earnings and Monthly Report on the Labor Force, monthly issues.

recovery of 1959-60 brought the rate down to 5.5 percent, after which the recession of 1961 sent it up again to 6.7 percent.

Which workers bore the brunt of the 1958 recession? The answer is to be found in the employment declines in the sectors and industries most affected by a recession, i.e., manufacturing (especially durable goods), construction, mining, and transportation. Since these are primarily men's industries, the major increase in unemployment was among adult men. In durable goods industries, the unemployment rate for experienced wage and salary workers moved from 4.9 percent in 1957 to 10.5 percent in 1958. Other examples are construction, 9.8 percent to 13.7; mining, forestry, and fisheries, 6.3 percent to 10.6; transportation and public utilities (mostly transportation), 3.1 percent to 5.6. On the other hand, as the following table indicates, women and young workers were much less affected than adult men.

INCREASE IN UNEMPLOYMENT, 1957-58 1/

	1957	1958	Increase	Percent
Adult men	1,541,000	2,681,000	1,140,000	+ 74
Adult women	821,000	1,242,000	421,000	+ 51
Young workers	497,000	678,000	181,000	+ 37

Furthermore, among nonwhites, males (including young workers) experienced a 68 percent increase in unemployment from 363,000 to 611,000, and females a 52 percent increase to 314,000.

Male workers in heavy industries are very largely covered by unemployment insurance, so the 1958-type of unemployment showed up primarily in large-scale unemployment insurance payments. Congress passed legislation providing for Federal extended benefits in 1959 for long-term unemployed who had exhausted their rights under the state system.

Rising unemployment in 1958 had an effect upon wage rate adjustments. The 4.9 percent increase in wage adjustments of 1957 moderated to a 3.9 percent increase in 1958 and 1959, 3.2 percent in 1960, and then continued at around 3 percent until 1965. Unit labor costs in American industry were also stabilized between 1958 and 1965. According to Bureau of Labor Statistics figures, labor costs per unit of output in the total private economy rose by a total of only 4.7 percent in those six years, with annual increases holding substantially below 1 percent. For the nonfarm economy the total increase for the period was 5.0 percent and for manufacturing, 3.8 percent. Moderate wage increases and stable labor costs went hand in hand.

1/ Employment and Earnings and Monthly Report on the Labor Force, February 1969.

The economic slowdown of 1967 provides the most recent experience with economic readjustment. In 1966, the economy surged upward in a rapid expansion, attaining a real growth rate in gross national product of 6.4 percent. The "credit crunch" in the second half of 1966 led to a marked slowdown that reduced the real growth rate for 1967 to only 2.2 percent. The figures on the employment of production workers in manufacturing show a different pattern of response from that which occurred in 1958.

PRODUCTION EMPLOYMENT IN MANUFACTURING 1/
(Annual averages)

	Durable goods		Nondurable goods	
	Number of workers	Weekly hours	Number of workers	Weekly hours
1966	8,349,000	42.1	5,925,000	40.2
1967	8,282,000	41.2	5,944,000	39.7
Difference	- 67,000	- 0.9	+ 19,000	- 0.5

Applying the average reduction in weekly hours to 1966 employment and using 38 hours as the straight-time equivalent, the number of full-time jobs represented by the cuts in weekly hours works out to nearly 200,000 in durable goods and about 76,000 in nondurable goods. So in durable goods about three-fourths of the cutback in labor took place in weekly hours and only one-fourth in the number of jobs. In nondurable goods, a decline in hours equivalent to 76,000 jobs was actually offset in part by a 19,000 job increase.

Furthermore, if total employment in manufacturing (including supervisory and office workers) is taken into account, there were net gains overall of 71,000 jobs in durables and 82,000 in nondurables. The significant point is that employers maintained employment levels and took the adjustment in reduced weekly hours--insofar as they were willing to reduce their work forces at all.

For the economy as a whole, unemployment in 1967 rose slightly in absolute numbers. However, the unemployment rate (3.8 percent) was the same as in 1966 because the economy, though it expanded at a slower pace, nevertheless created 1.5 million new jobs in 1967. In summary, the economic slowdown had practically no effect upon unemployment.

The same conclusion can be applied to wage rates: the 1967 slowdown in the rate of growth had little, if any, effect on wage increases. Collectively-bargained wage adjustments, which had risen by

1/ Employment and Earnings and Monthly Report on the Labor Force, monthly issues.

3.2 percent in 1964, 3.8 percent in 1965, and 4.5 percent in 1966, continued to move upward. The average increase was 5.0 percent in 1967 and reached 6.0 percent in 1968.

There are some faint indications of a slackening in the job market in the early months of 1969. The table below shows the general unemployment rate and average overtime hours in manufacturing for the six months November 1968 through April 1969.1/

UNEMPLOYMENT AND OVERTIME,
November 1968-April 1969
(Seasonally adjusted)

Month	Unemployment rate	Overtime hours in manufacturing	
		Durable	Nondurable
November	3.4%	4.1	3.4
December	3.3	3.8	3.4
January	3.3	3.9	3.6
February	3.3	3.9	3.2
March	3.4	3.9	3.4
April	3.5	3.6	3.3

The unemployment rate is statistically significant at 0.2 percent, which means that a change of 0.2 percent is larger than the probable error of the sample. So it might turn out that the low point of unemployment was reached in the three winter months, and that the April figure foreshadows an upward trend. In any case, the unemployment picture has not changed significantly between November and April. However, overtime hours in durable manufacturing (seasonally adjusted) exhibit some downward tendency. Certainly, the decline from 4.1 hours of overtime in November to 3.6 in April is large enough to be significant. On the other hand, there is no indication of a trend in the nondurable goods industries--industries which are not so quick to respond to changing economic conditions.

Furthermore, average weekly hours worked in contract construction (including overtime) are actually increasing. The seasonally adjusted figure of 38.3 hours for February 1969 was the highest in the past twelve months, and April was 38.2 hours.

This is the atmosphere in which union bargaining and employer bidding for scarce labor are taking place in 1969. An additional factor of some importance is the trend toward long-term contracts. A number of important collective agreements (some of them pattern-making) contain

1/ Employment and Earnings and Monthly Report on the Labor Force, May 1969.

scheduled wage increases into 1970 and 1971. The Bureau of Labor Statistics has recently reported that 3,940,000 workers are covered by contracts expiring in 1970 and 2,771,000 in 1971.1/

A further factor that is heating up the situation is the sharp rise in the cost of living as measured by the consumer price index. The April 1969 index was 5.4 percent higher than it was a year ago, and the increase in the three months from January to April was at an annual rate of 7.6 percent.2/ The consumer price index has a twofold effect on wages: it is a factor in wage negotiations and it is sometimes used as an escalator during the term of the contract. The Bureau of Labor Statistics estimates that about 2,500,000 workers are now covered by collective agreements that include cost-of-living escalator clauses.

Union negotiations completed in the first quarter of 1969 produced wage increases averaging 5.5 percent, somewhat lower than the 6.0 percent increase of the first quarter last year.3/ However, the first quarter may not be representative of the whole. Some large-scale collective bargaining agreements are due in the summer and fall.

The continuing rise in wages and salaries, excluding fringes, can be gauged by the statistics for average hourly earnings. For the private economy as a whole, the increase in the twelve months to April 1969 was 6.75 percent. In manufacturing, the increase was 5.7 percent and in contract construction, 8.0 percent.

Assuming that the Administration's policy of economic restraint begins to take effect in the second half of 1969, what is likely to happen to the unemployment rate? What impact will a slower rate of economic growth have upon employment for various groups in the labor force? Will the immediate effect be a sharp increase in unemployment for nonwhites in the big city ghettos?

In the short run, there will be almost no effect upon jobs. The first response of employers will surely be what it was in 1967, namely, the elimination of unnecessary overtime. It is important to note the word "unnecessary," because some overtime is necessary, even in slack periods. But the extremely high volume of overtime work recorded in the spring of 1969 allows ample opportunity for employers to absorb the first declines in production by returning to a schedule of regular hours. As noted in the previous example (see section V), a cutback of two hours of overtime per week in manufacturing is the equivalent of laying off 700,000 workers.

1/ Monthly Labor Review, January 1969.

2/ Press release, Bureau of Labor Statistics, May 1969.

3/ Press release, Bureau of Labor Statistics, April 1969.

In addition, a cutback in overtime operates as a restraint in itself. The elimination of premium pay reduces the labor costs of the employer. The reduction in earnings will dampen consumer buying power, since all but a small fraction of wage and salary income goes directly into consumption. At a reduced rate of growth, the economy would be in somewhat better balance than it is now.

It is also possible that the recent sharp rise in labor costs would be slowed down. In the three years from the first quarter of 1966 to the first quarter of 1969, output per man-hour in the private nonfarm economy increased by only 5.6 percent, which averages less than 2 percent per year. However, in the same period, compensation per hour increased over 21 percent and labor costs per unit of product rose 14.7 percent. The rise in unit labor costs during the past year alone has been 4.0 percent.1/

If economic restraint continues to be applied over a longer period of time, there will be an effect upon jobs and it will take several forms. First, the industries which have participated most in the business expansion of the last three years will be the most vulnerable. The construction industry, housing as well as industrial-commercial, is highly susceptible to cyclical influences and particularly to high interest rates. Durable goods manufacturing is also markedly affected by a business downturn. Secondary effects will be felt in transportation and in mining.

The industries mentioned above are those in which the production forces are largely composed of year-round adult male workers. After first making substantial reductions in overtime hours, employers will then begin to lay off some workers--and some smaller firms may have to close down. The resulting unemployment will fall on adult men, a group generally well covered by state unemployment insurance and, in many cases, also by negotiated supplementary benefits paid by employers. State benefits usually run for 26 weeks and the supplementary benefits may extend for another half year. Such workers will not be unprotected.

It is in these heavy industries that Negro men will experience some increase in unemployment, since they tend to have been the most recently hired employees in many instances. It is regrettable that there are no statistics available on nonwhite employment by industry that would show what happened in the previous downturns of 1958 and 1961. The household survey data indicate that, in a nonwhite male adult labor force of about 4.1 million in 1957-58, annual average unemployment increased from 307,000 to 526,000--or by about 220,000. A large proportion of that increase must have come from the heavy industries. In the milder recession of 1961 the increase in nonwhite male

1/ Employment and Earnings and Monthly Report on the Labor Force, May 1969.

adult unemployment was about 90,000 out of a labor force for that group of 4.3 million.1/

For the remainder of the economy the unemployment effect of a moderate recession will be small. State and local government employment (now approaching 10 million) has increased every year since World War II, and the end is not in sight. Federal government employment has stabilized around 2.7 million, with little prospect of substantial decline. The service-producing private industries as a whole are affected only slightly by a business downturn. In the 1958 recession, wholesale and retail trade experienced a small decline in employment, amounting to about 1 percent, and in 1961 the decline was negligible. Employment in the other service industries, as well as in finance, insurance, and real estate, increased in both 1958 and 1961.

Adult women workers are likely to be affected in two different ways--one in regular jobs, the other in intermittent and part-time jobs. Statistics on women's employment by industry have become available only in recent years. There are no data for 1958 and the 1961 data cover only manufacturing, trade, and finance, insurance and real estate. In durable goods manufacturing, the 1961 total decline in employment for wage and salary employees was about 390,000, of whom only 39,000 were women (of all ages).2/ Since men outnumber women 5-to-1 in durable goods, it is apparent that women made out much better than men in retaining their jobs. Most of the women in these industries, of course, are office employees who are not likely to be laid off in a brief business downturn. In nondurable goods manufacturing, where a much larger proportion of factory workers are women, the 1961 picture was quite different. Average total employment in these industries declined by 80,000 from 1960 to 1961, and women contributed exactly half of this decline although they comprised only one-third of the work force.3/

The other type of employment in which women are concentrated is seasonal, intermittent, occasional, and part-time employment. Without doubt, some of these kinds of jobs will disappear as employers fall back on their regular schedules and regular work force as much as possible. Unfortunately, there are not enough data about such jobs to make possible accurate estimates of the effect of a recession.

Any recession produces a cutback in the rate of new hiring and in the growth of new jobs. However, even in the relatively severe recession of 1958, average employment of women 20 years of age and over held at the 1957 level. In the less severe recession of 1961, there was a gain of about 190,000 jobs for adult women out of a total of

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1/ Employment and Earnings and Monthly Report on the Labor Force, February 1969.

2/ Handbook of Labor Statistics, 1968.

3/ Ibid.

20 million, but that gain contrasts sharply with the much larger gains of 580,000 in the previous year (1960) and 400,000 in the following year (1962).

The significant point about women's employment in recessions is that job growth slows down or ceases, so that new entrants become unemployed or are discouraged from entering the labor market.

It is this same factor which will produce the greatest impact upon young workers, 16-21 years of age, in any near-term recession. When an employer ceases expanding his work force, he cuts down on new hires. There is much less turnover among his employees, and voluntary quits decline. In 1968, voluntary quits in manufacturing outnumbered layoffs 2-to-1; in 1961 the ratios were reversed, and in 1958 layoffs exceeded quits by about 2 1/2-to-1.

In the 1950s, young workers were relatively scarce as compared to other age groups in the nation's labor force. There was no increase at all in the 16-19 age group in either 1957 or 1958. Employment for that group declined by about 200,000 in 1958 and unemployment increased by the same amount. In 1961, the teenage labor force increased by less than 100,000 and unemployment went up by slightly more than that. In general, young workers were not greatly affected by the business recessions of those years.

It was in 1965 that the youth explosion hit the labor market. From 1960 to 1964, the teenage labor force (16-19 years) increased by about 550,000, or at a rate of about 140,000 per year. In the next two years the increase was nearly 1.2 million, or close to 600,000 per year. This labor force is now stabilized at about 6.6 million--since outgo into age 20 just about balances intake at age 16--and the explosion is occurring in the 20-24 age group. Both these groups would have grown still more rapidly had it not been for the increase in the armed forces of about 750,000 men since 1965, or about 250,000 per year. Between 1964 and 1968 the total civilian labor force grew by 5.6 million, or about 1.4 million per year. The first quarter of 1969 shows an increase of 1.9 million over the first quarter of 1968, but this rate may not be sustained throughout 1969.

Under these circumstances, the impact of a slowdown in the economy upon the job market for young people generally under age 25 will be entirely different from what it has been at any time since World War II. A slower rate of job growth will dam up the unemployed at the entry level. Well-educated and experienced young workers will still be in demand. Employers will still be recruiting college graduates for the future. But the job market will be tough for the dropout and the poorly educated.

The youngsters most affected by this development will be the fastest growing group among them, namely, the nonwhites. It is not only their growing numbers which will prove to be a handicap; it is

also their lack of education, training, and work experience. In a broader sense, it is likely that young people under age 25--males and females, whites and nonwhites--will constitute the most stubborn unemployment problem of the early 1970s.

In summary, the structure of employment and unemployment in the United States economy of 1969 is a product of two factors. One is the current stage of the business cycle--unprecedented boom following the practically uninterrupted expansion of the 1960s. The other is the long-term trend toward more stability in employment, especially in full-time jobs held by adult men. The risk of unemployment in the economy has been lessened by the reduction in farm employment, the steady expansion of the service industries and of government, the declining proportion of the labor force employed in cyclical industries, and the increased tendency of businessmen to maintain employment levels if at all possible. Moreover, the greater use of part-time help provides an additional cushion for the primary breadwinner of the American family. Finally, and most important at the current time, the widespread use of overtime serves as one more cushion against the actual loss of jobs.

These considerations have several policy implications in a period of economic restraint. First, the nature of the employment response that would result in an economic correction has changed. Restraint is less likely to produce sudden large-scale unemployment--the long bread lines of the public mind--than it is to restrict hours of work and the growth of new jobs. In the first instance, unemployment would fall primarily on secondary earners and part-timers, on adult women and young people. Later, it would begin to affect regularly employed adult male workers, primarily in construction and heavy manufacturing. But these workers are generally well-covered by unemployment insurance and, to some extent, by supplementary unemployment benefits and other similar protections.

The second policy implication is that a given degree of economic restraint is likely to have a smaller unemployment effect in the economy of 1969 than it would have had a decade ago.

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